STANLIB Multi-Manager Absolute Income Fund

Minimum Disclosure Document

As at 31.12.2018

STANLIB

STANLIB Multi-Manager (Pty) Ltd

STANLIB Multi-Manager (Pty) Ltd was established in 1999 and is the centre of excellence for multi-managed solutions within STANLIB. The investment team, led by Chief Investment Officer Joao Frasco, consists of an experienced team with a diverse set of investment skills. We have offices in Johannesburg and London, and currently have mandates in excess of R150 billion under stewardship.

What is the Fund's objective?

To outperform the average of investable peers' returns i.e. ASISA MA Income category, at risk revels consistent with that of the sector.

Given our standard assumptions*, we expect the Fund to deliver real returns of 3% p.a. i.e. CPI+3% p.a. over the long term (net of fees). To minimise the chance of capital loss, investors should expect to invest over periods of at least one year.

The real return objectives are derived from our long-term real return expectations for a range of asset classes, our expected systematic exposure to those asset classes in each of the funds, and the alpha expected from the managers managing the funds (from security selection and asset allocation).

Risk profile

Defensive assets   Growth assets

What are the investment guidelines?

The Fund can invest in a wide variety of assets such as cash, government and corporate bonds, inflation–linked bonds and listed property - both in South Africa and internationally. It is specifically designed to enjoy duration flexibility and exposure to the higher yielding credit market.

The selected asset managers have broad mandates allowing them maximum flexibility across a wide array of fixed interest instruments, and other instruments consistent with the guidelines of the ASISA MA Income Category; maximum 10% equity (incl. global), maximum 25% property (incl. global).

The Fund complies with provisions of the Collective Investment Schemes Control Act, No. 45 of 2002 and the Regulations thereto, as amended from time to time, and complies with Regulation 28 of Pension Funds Act.

How is the Fund managed?

The Fund is designed to deliver superior investment returns more consistently than through a single asset manager or mandate. Our approach allows investors' to outsource the fund / manager selection decision, which includes the ongoing due diligence of managers and construction of portfolios, to meet pre-defined objectives over time.

The Portfolio Managers dedicated to the Fund

Jennifer Henry
Head of Portfolio Management: Retail Clients
BCom(Hons), CFA, FRM

Richo Venter
Portfolio Manager
BCom(Hons) (cum laude), CFA

How do we select managers?

STANLIB Multi-Manager (Pty) Ltd follows a rigorous and disciplined manager research and selection process that starts by analysing the sector for which the portfolio is being built, and determining the key drivers of outperformance.

The manager research team conducts thorough quantitative and qualitative analyses, culminating in an extensive investment due diligence to identify those managers that have the skill and ability to outperform. This results in the production of high conviction buy/hold/sell lists, as well as mandate performance expectations under different environments, defining events and sell triggers/disciplines.

The portfolio management team then constructs a framework for blending managers into the portfolio that targets the key areas of outperformance and promotes diversification. We only entrust our client's assets to the highest quality managers, who are then selected into this framework to provide the portfolio with exposure to these sources of market outperformance over the long term.

Passive alternative are considered in the process and where used, these help to lower portfolio costs.

On a regular basis, the portfolio is reviewed to ensure it is delivering on its long term objectives. From time to time changes are made to improve the structure and or risk return profile of the portfolio.

Who are the underlying managers/funds?

The portfolio construction currently includes the following managers/funds:

Underlying managers	Portfolio managers	Strategic allocation
Prescient Investment Management	Guy Toms	34%
Aluwani Capital Partners	Conrad Wood	33%
Investec Asset Management	Malcolm Charles	33%

How do we approach risk management in the Fund?

Risk management is a fundamental component of our investment philosophy and process and is therefore approached holistically. It permeates every part of our investment process, requiring participation and accountability from all individuals involved in the process.

As a multi-manager, our risk management process begins at the time of portfolio specification and design, because by the time securities are included in the portfolio by the underlying managers, one has already accepted the risks and has limited ability to mitigate them. Our process then moves to manager research and portfolio construction, where we seek to know the managers intimately and construct a portfolio to behave in line with our broader investment objectives.

"Risks Inherent in our Funds" is a document that classifies the sources of risk associated with the management of our Funds. It can be obtained from the website www.stanlibmultimanager.com.

Fund Information

STANLIB

Information to be considered before investing

Collective investments schemes (CIS) are generally medium to long-term investments. The value of units (participatory interests) may go down as well as up and past performance is not necessarily a guide to future performance. General market risks include a change in interest rates and economic conditions, share price volatility and a decline in property values. Where exposure to foreign investments is included in the portfolio, there may be additional risks, such as possible constraints on liquidity and the return of funds to South Africa, macroeconomic risks, political risks, tax risks, settlement risks and possible limitations on the availability of market information. The Fund is traded at ruling prices using forward pricing, and can engage in borrowing up to 10% of the market value of the portfolio to bridge insufficient liquidity as a result of the redemption of participatory interests and may engage in scrip lending. The yield on the Fund is calculated monthly based on the actual distributions declared in the last twelve months divided by the average daily net asset value of the Fund, expressed as a nominal annual rate. It is provided to give an approximate indication of the achievable yield for an investment made at the reporting date. A schedule of fees, charges and maximum commissions is available on request from STANLIB Collective Investments (RF) Pty Limited (the Manco). Commission and incentives may be paid and if so, would be included in the overall costs of the Fund. Liberty is a full member of the Association for Savings and Investments South Africa (ASISA). The Manco is a member of the Liberty Group of Companies.

Unit price – how it works

Collective Investment Schemes (i.e. "Unit Trusts") are traded at ruling prices set on every trading day. Forward pricing is used which means Fund valuations take place at approximately 15h00 each business day, and your instructions are therefore processed at prices that are not yet determined when your instructions are received. Instructions must reach the Management Company before 13h00 to ensure same day value. The 13h00 cut-off time only applies to investments and switches. Repurchases will receive the price of the same day if received prior to 15h00. The money market funds are valued at 12h00. The funds of funds and feeder funds are valued at 24h00 and 17h00.

The payment of withdrawals may be delayed in extraordinary circumstances, when the Manco with the consent of the Fund trustees deems this to be in the interest of all Fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the Fund. When the suspension of trading relates to only certain assets held by the Fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the Fund. If the Fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force the Manco to sell the underlying investments in a manner that may have a negative impact on remaining investors of the Fund.

Performance information on the monthly factsheet

Performance is calculated by STANLIB Multi-Manager (Pty) Ltd as at month end for a lump sum investment using net asset value (NAV) prices with income reinvestments done on the ex-dividend date. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs including manager fees, and trading costs incurred within the Fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the weighted average compound growth rate over the performance period measured. Past investment returns are not indicative of future returns and no guarantee is provided with respect to capital or return of the Fund.

Total Expense Ratio (TER) and Transaction Costs (TC) = Total Investment Charge (TIC)

The TER is calculated as a percentage of the averagenet asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 36-month period to the previous quarter end (December, March, June and September). This includes the TER charged by any underlying fund(s) held as part of this Fund. A high TER does not necessarily imply a poor return nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TER's – expenses vary and the performance fee component can fluctuate over time.

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The sum of the TER and Transaction Costs is shown as the Total Investment Charge (TIC).

Management fee

The Fund charges a fixed annual management fee (i.e. fee class) as a percentage of the assets under management, to ensure a simple and understandable fee structure. The Fund invests primarily in segregated mandates but may also invest in other unit trusts i.e. "Underlying Fund Fees", which are included in the Total Expense Ratio (TER).

Underlying performance fees

STANLIB Multi-Manager (Pty) Ltd does not earn any performance fees. In addition to earning fixed fees, the underlying manager(s)/fund(s) may also earn performance-based fees if they outperform a specific benchmark. The performance-fee methodology of the underlying manager(s) / fund(s) is incorporated in their respective mandates. You can obtain more information on the underlying performance fee methodologies on the website www.stanlibmultimanager.com.

The annual management fee is accrued daily and performance fees are accrued monthly – both paid on a monthly basis (with the exception of some performance fees which are paid annually).

STANLIB Multi-Manager (Pty) Ltd does not provide financial advice

STANLIB Multi-Manager (Pty) Ltd is an authorised Financial Services Provider licenced under the Financial Advisory and Intermediary Services Act, 37 of 2002. FSP licence No.26/10/763. This information does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Independent financial advice should always be sought before making an investment decision.

If you appoint an adviser, advice fees are contracted directly between you and the adviser. We will facilitate the collection of advice fees (including initial advice fees up to a maximum of 3.00%) only upon receiving your instruction. You may cancel the instruction to facilitate the payment of advice fees at any time.

Where can I find additional information?

Additional information such as brochures, application forms and annual or quarterly reports, can be obtained from the websites: www.stanlib.com / www.stanlibmultimanager.com.

The prices of Funds are calculated and published on each working day. These prices are also available on the websites and in South African printed news media.

STANLIB Multi-Manager Absolute Income Fund

As at 31.12.2018

STANLIB

Investment Description

The Fund is a flexible income solution which aims to provide investors with regular and stable income. It targets a higher return than a traditional money market fund and intends to manage the investor's exposure across the entire fixed interest yield curve, using a flexible duration strategy. The Fund can also invest in property and offshore.

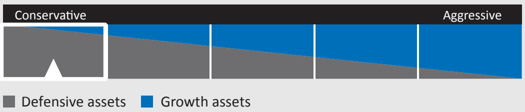
The Fund does not rely solely on cash to generate income, and blends managers with different philosophies. The Fund is regulation 28 compliant.

The Fund also aims to outperform the average of the ASISA MA Income.

Suitable Investors

· Who wish to diversify single manager risk
· Who are looking for a smart alternative to a typical money market portfolio
· Who seek a reasonable level of income and inflation beating returns over time
· Who have a low capacity for capital loss over the short term
· Who typically have an investment horizon over periods from 12 to 36 months

Risk Rating



Please refer to the "Information to consider before investing" section on page 2 for further risk information.

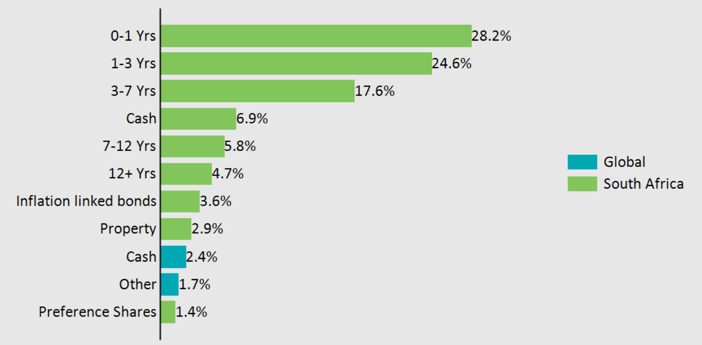
Annualised Performance (%)

	1 Year	3 Years	5 Years	10 Years
Class A	8.71	8.66	7.63	0.00
Class B1	9.03	8.96	7.90	0.00
Benchmark	9.14	9.60	7.80	7.70
Sector Average	7.48	7.73	7.08	7.36

Underlying Fund Managers

Aluwani Capital Partners
Investec Asset Management
Prescient Investment Management

Physical See Through Asset Allocation %



Fund Duration	1 year(s)
Benchmark Duration	1.8 year(s)

Income Distribution

	Declared in last 12 months	Declared during 2018
Class A	8.01 cpu	8.01 cpu
Class B1	8.31 cpu	8.31 cpu

Portfolio Facts

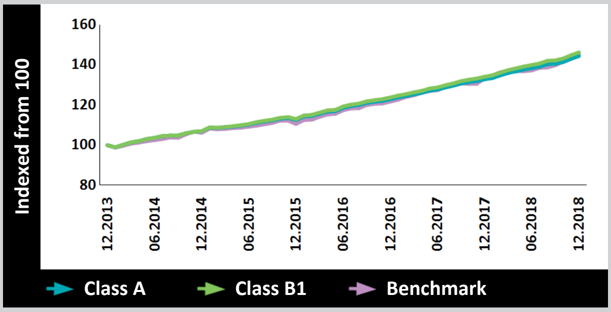
Portfolio Manager(s)	Richo Venter and Jennifer Henry
Portfolio Size (NAV)	R 1195 million
Sector	South African Multi-Asset Income
Income Distribution	Net revenue is calculated on a daily basis and distributed quarterly.
Income Declaration	31 March, 30 June, 30 September & 31 December
Benchmark	JSE ALBI 1-3 Year Index

	Class A
Launch Date	02 Jan 2002
Minimum Investment	
Lump Sum	R5,000
Debit Order Per Month	R500
ISIN No.	ZAE000035374
JSE Code	STMI

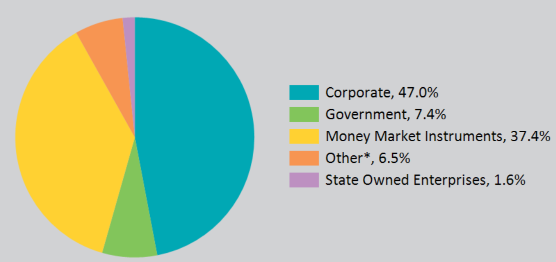
	Class A		Class B1	
	1 Year	3 Year	1 Year	3 Year
Advisor Fee[1]	0.25	0.25	0.00	0.00
Management Fee	0.75	0.75	0.75	0.75
Underlying Fund Fees	0.00	0.01	0.00	0.01
Underlying Performance Fees	0.19	0.10	0.19	0.10
Other[2]	-0.01	0.02	-0.01	0.02
VAT	0.18	0.17	0.14	0.13
Total Expense Ratio (TER)[3]	**1.36**	**1.30**	**1.07**	**1.01**
Transactional Costs (inc. VAT)[4]	**0.05**	**0.05**	**0.05**	**0.05**
Total Investment Charges	**1.41**	**1.35**	**1.12**	**1.06**

1 The A Class includes an ongoing adviser fee, which will be charged in addition to a maximum 3% upfront fee
2 Other includes: bank charges, custody fees, sundry income, audit & trustee fees
3 The TER is a measure of the actual expenses incurred by the Fund over a 1 and 3-year period (annualised) ending 30 September 2018
4 Transaction Costs include: brokerage, Securities Transfer Tax [STT], STRATE, Levies and VAT.

Cumulative Returns - Last 5 Years



Holding Composition



**Other is inclusive of Preference Shares, Property Shares, and Derivatives*

FUND INFORMATION TO BE CONSIDERED BEFORE INVESTING

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STANLIB Multi-Manager Absolute Income Fund
Commentary: 31 December 2018

STANLIB

Market overview

'Ramaphoria' prospects were short-lived in 2018 as SA's structural deficiencies and the shackles of state capture became more evident. In addition, uncertainty surrounding the US-China trade war, Brexit and fears of a global growth slowdown in 2019 sparked a significant change in investor risk appetite. This resulted in disappointing equity returns. Global equity lost 9.4% in US dollar terms for the year, while the JSE All Share retreated 8.5%. Local bonds posted a 7.7% return. SA property was the worst performing asset class, losing 25.0%. The rand weakened 16.3% relative to the dollar. Relative to risky asset classes, income-type assets performed fairly well. Cash returned 6.5% for the year and the ALBI 1-3 years, a benchmark of shorter duration bonds, returned an impressive 9.1%.

Asset class performance and risk statistics

Asset class	Q4 2018	1 year	3 years p.a.	5 years p.a.
FTSE/JSE ALSI	-4.9%	-8.5%	4.3%	5.8%
Financials	*-2.1%*	*-8.8%*	*5.1%*	*8.9%*
Resources	*-4.5%*	*15.7%*	*22.3%*	*-0.3%*
Industrials	*-6.5%*	*-17.6%*	*-1.9%*	*4.9%*
FTSE/JSE Capped SWIX	-3.8%	-10.9%	3.0%	5.3%
Bonds ALBI	2.7%	7.7%	11.1%	7.7%
Cash STeFI Composite	1.8%	7.2%	7.4%	6.9%
All Property Index (ALPI)	-6.2%	-25.0%	-5.0%	4.2%

Risk statistics since launch		
Lowest rolling 12-month return	4.0% (12 months ended January 2014)	
Highest rolling 12-month return	10.1% (12 months ended January 2015)	
	Fund*	Benchmark
Maximum drawdown	-1.1%	-1.9%
Portfolio volatility	1.6%	2.7%

Source: STANLIB Multi-Manager.

Portfolio review

The Fund returned a steady 9.0%, net of fees for the year. Over three years, the Fund also returned 9.0% per annum, well ahead of the average return of 7.7% from income fund peers and almost 3.5% above inflation. This performance showcases the ability of the Fund to deliver medium-term inflation beating returns at a high probability, but with limited downside risk.

We are delighted that all three of the Fund's underlying managers met or exceeded our expectations for the year. Aluwani in particular performed very well, gaining alpha due to their avoidance of listed property and good credit selection. Credit performed well from a yield enhancement and a spread compression perspective. However, they are cautious that the credit cycle looks mature and are currently looking for opportunities to reduce credit spread duration.

Investec remains constructive on nominal bonds over the medium and long term, but their short-term position is more cautious as global risks are likely to prove disruptive. They maintain their underweight exposure to inflation-linked bonds and property. They also maintain their overweight allocation to select investment grade credit as spreads among quality issuers continue to tighten and the lack of supply continues to buoy the local credit market. Their bottom-up credit view remains consistent with a preference for assets with defensive credit qualities. They also maintain a small offshore exposure in order to balance local interest rate-sensitive risks, as well as to offset rand weakness.

Performance from Prescient predominantly came from high quality, low risk bank credit held. With local inflation expected to remain within the target band and growth remaining subdued, Prescient sees little risk of the SARB increasing rates by more than what the market is expecting and have positioned the fund accordingly. In addition, given that the inflation break-even rates have now dropped to about 6% at the long end, Prescient views inflation-linked bonds as relatively attractive.

Portfolio positioning and outlook

The Fund's modified duration remains relatively low at 1 year, providing protection against interest rate risk. The Fund has a small property allocation of less than 3% and some diversifying global exposure. It is positioned towards safer, high quality floating rate bank exposure and government debt, with select higher quality credit exposure providing a yield sweetener. We expect our managers to continue producing good inflation-beating returns in the medium term.

Duration – a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Portfolio managers

Jennifer Henry
Head of Portfolio Management: Retail Clients
BCom(Hons), CFA, FRM

Richo Venter
Portfolio Manager
BCom(Hons) (cum laude), CFA